

**SOUTH UTAH VALLEY SOLID WASTE DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2005 AND 2004**

**SOUTH UTAH VALLEY SOLID WASTE DISTRICT  
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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
South Utah Valley Solid Waste District  
2450 West 400 South  
Springville, UT 84663-0507

October 14, 2005

We have audited the accompanying financial statements of the business-type activities of South Utah Valley Solid Waste District (SUVSWD) for the years ended June 30, 2005 and June 30, 2004, which collectively comprise the Districts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of South Utah Valley Solid Waste District for the years ended June 30, 2005 and 2004 and the respective changes in financial position and cash flows for the year ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated on October 14, 2005 of our consideration of South Utah Valley Solid Waste District's internal control structure over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 5, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Utah Valley Solid Waste District basic financial statements. The schedule of revenues, expenses, and changes in net assets – budget to actual listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of South Utah Valley Solid Waste District. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.



GILBERT & STEWART  
Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management of South Utah Valley Solid Waste District offers readers of the District's financial statement a narrative discussion and analysis of the financial activities for the fiscal year ending June 30, 2005. The reader is encouraged to consider the information presented here in conjunction with the independent auditors report.

### **History and Background**

The District was established in May 11, 1989 and began accepting waste on February 5, 1991. The District was established under the provisions of the Utah Special Service District Act. It was organized under the sponsorship of Provo City. We are presently composed of six (6) cities including Provo, Springville, Spanish Fork, Mapleton, Salem and Goshen. The District is governed by a Board made up of one representative from each member city.

The District runs an integrated Solid Waste System which includes a Transfer Station, Landfill and two Greenwaste yards. The landfill is currently expected to have a life of eighty to one hundred years. Cell 1 is estimated to stop accepting waste in approximately one year. Currently, we are preparing Cell 2 for opening. Cell 2 is estimated to be opened and begin accepting waste in February 2005. We are also expecting that the Transfer Station will need some type of expansion in four to six years to meet the needs of our customers.

### **Overview of the Financial Statements**

The District's financial statements consist of:

- The Statement of Net Assets which presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. The increases or decreases in net assets over time, is a useful indicator of whether the financial position of the District is improving or deteriorating.
- The Statement of Revenues, Expenses, and Changes in Net Assets which presents information regarding the change in the District's net assets during the year. Revenues and expenses of the District are recognized when earned and expended regardless of the timing related to cash flow.
- The Statement of Cash Flows which presents the activities of the District on a cash-received and cash-paid basis. It shows how cash was spent and reconciles the change in the cash accounts during the year.

### **Financial Analysis**

The District conducts its financial activities from a single enterprise fund. It currently operates with revenues gained from waste disposal fees, and interest from investments. As noted earlier, net assets serve as a useful indicator over time, of a government's financial position. In the case of the District, assets exceeded liabilities by \$13,660,993 at the close of the current year.

The largest portion of the District's net assets reflects its investment in capital assets (e.g. land, buildings, improvements, equipment, and furniture & fixtures). The District uses these assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that these capital assets have no debt related to them.

The following tables summarize information presented in the financial statements over the last five years:

#### Net Assets

	2005	2004	2003	2002	2001
Current and Other Assets	\$ 5,940,026	\$ 7,811,383	\$ 7,099,683	\$ 7,528,460	\$ 6,604,528
Net Capital Assets	10,702,209	8,755,698	9,034,204	7,779,221	7,788,402
Total Assets	16,642,235	16,567,081	16,133,887	15,307,681	14,392,930
Current and Other Liabilities	132,275	237,155	65,004	92,059	104,029
Long-Term Liabilities	2,848,967	2,815,308	2,539,146	2,425,597	2,201,948
Total Liabilities	2,981,242	3,052,463	2,604,150	2,517,656	2,305,977

#### Net Assets

Net assets invested in capital assets, net of related debt	10,702,209	8,755,698	9,034,204	7,779,221	7,788,402
Restricted –temporary	2,564,536	2,502,974	2,762,771	2,246,407	1,364,497
Unrestricted	394,248	2,255,946	1,732,762	2,764,397	2,934,054
Total Net Assets	13,660,993	13,514,618	13,529,737	12,790,025	12,086,953

#### Changes in Net Assets

	2005	2004	2003	2002	2001
Operating Revenues	3,845,261	3,605,094	3,539,481	3,435,232	3,472,479
Operating Expenses	3,858,288	3,728,632	2,943,438	2,930,438	2,978,933
Net Operating Income (Loss)	(13,027)	(123,538)	596,043	504,794	493,546
Non-Operating Income (Loss)	159,402	108,419	143,669	198,278	359,814
Change in Net Assets	146,375	(15,119)	739,712	703,072	853,360
Net Assets – Beginning of Year	13,514,618	13,529,737	12,790,025	12,086,953	11,233,593
Net Assets - Ending of Year	<u>\$13,660,993</u>	<u>\$13,514,618</u>	<u>\$13,529,737</u>	<u>\$ 12,790,025</u>	<u>\$12,086,953</u>

#### Revenues

South Utah Valley Solid Waste District has one major source of operating revenue (user fees at the transfer station) and one major source of non-operating revenue (interest from the investment of net assets).

#### Financial Highlights

- The assets of the District exceeded its liabilities at the close of fiscal year 2005 by \$13,660,993 (total net assets). Of this amount \$2,564,536 is restricted to meet future closure/postclosure costs for the Landfill. Cell 1 will accept waste for another year after which it will be closed. Closure

of this cell will be accomplished using District personnel and equipment and paid out of the budget. The \$2,564,536 will be retained to meet future closure/postclosure liabilities of Cell 2.

- The District's total net assets increased by \$146,375.
- The District had a positive cash flow from operating activities of \$885,197 and a net decrease in cash flow of \$1,947,678 from \$7,409,821 in the prior year to \$5,462,143 at June 30, 2005.
- The financial position of the District was strongly affected by the addition of a composting and expansion of our dumping operations. The composting and dumping operations brought in \$99,276 in revenue.
- The District has been able to operate without incurring any debt. They have been able to pay cash for all improvements or equipment purchases.

#### Capital Assets

Capital Assets consist of the following:

	2005	2004
Land	\$ 1,680,250	\$ 1,680,250
Buildings	2,406,713	2,402,713
Equipment	5,509,044	4,957,439
Furniture and Fixtures	9,562	7,634
Improvements	8,341,487	5,913,744
Total Capital Assets	17,947,056	14,961,780
Accumulated Depreciation	(7,244,847)	(6,206,082)
Net Capital Assets	<u>\$ 10,702,209</u>	<u>\$ 8,755,698</u>

The District's major additions were attributable to the following items:

- Cell 2 Construction
- Compost Equipment
- Grinder Truck
- Scales
- Roll Off Trailer
- Pickup Truck
- Landscaping
- Office Equipment

#### Request for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in them. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Manager, 2450 West 400 South, Springville, UT 84663.

**SOUTH UTAH VALLEY SOLID WASTE DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005 AND 2004**

<b>ASSETS</b>	June 30, 2005	June 30, 2004
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 2,897,607	\$ 4,906,847
Accounts Receivable - Member Cities	124,453	124,286
Accounts Receivable - Other Trade	320,760	208,912
Allowance For Bad Debt	(4,444)	(3,274)
Prepaid Expenses	37,114	71,638
Total Current Assets	<u>3,375,490</u>	<u>5,308,409</u>
<b>Non Current Assets</b>		
Restricted Investments	<u>2,564,536</u>	<u>2,502,974</u>
<b>Capital Assets</b>		
Land	1,680,250	1,680,250
Buildings and Structures	2,406,713	2,402,713
Improvements Other Than Buildings	8,341,487	5,913,744
Equipment	5,509,044	4,957,439
Furniture & Fixtures	9,562	7,634
Total	<u>17,947,056</u>	<u>14,961,780</u>
Accumulated Depreciation	<u>(7,244,847)</u>	<u>(6,206,082)</u>
Net Capital Assets	<u>10,702,209</u>	<u>8,755,698</u>
<b>Total Assets</b>	<u>\$ 16,642,235</u>	<u>\$ 16,567,081</u>
<b>LIABILITIES</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 97,566	\$ 205,210
Payroll and Related Liabilities	34,709	31,945
Total Current Liabilities	<u>132,275</u>	<u>237,155</u>
<b>Long-Term Liabilities</b>		
Closure & Postclosure Liability	2,691,748	2,691,748
Accrued Compensated Absences	157,219	123,560
Total Long-Term Liabilities	<u>2,848,967</u>	<u>2,815,308</u>
<b>Total Liabilities</b>	<u>2,981,242</u>	<u>3,052,463</u>
<b>NET ASSETS</b>		
<b>Net Assets</b>		
Invested in Capital Assets (net of related debt)	10,702,209	8,755,698
Restricted for Closure & Postclosure	2,564,536	2,502,974
Unrestricted	394,248	2,255,946
<b>Total Net Assets</b>	<u>\$ 13,660,993</u>	<u>\$ 13,514,618</u>

*See accompanying notes to financial statements*



**SOUTH UTAH VALLEY SOLID WASTE DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	June 30, 2005	June 30, 2004
Operating Revenues		
User Fees	\$ 3,615,622	\$ 3,465,373
Grinding Services	59,733	44,910
Compost and Dumping Revenues	99,276	59,345
Grit Screenings	7,297	3,824
Diversion Revenues	63,333	31,642
Total Operating Revenues	<u>3,845,261</u>	<u>3,605,094</u>
Operating Expenses		
Salaries & Benefits	1,464,729	1,233,871
Contractual Services	715,103	636,441
Material and Supplies	497,975	421,115
Closure and Postclosure	-	250,000
Depreciation and Amortization	1,045,765	1,039,646
Other	134,716	147,559
Total Operating Expenses	<u>3,858,288</u>	<u>3,728,632</u>
Operating Income (Loss)	<u>(13,027)</u>	<u>(123,538)</u>
Non-Operating Revenues (Expenses)		
Interest Income	139,523	102,115
Gain on Sale of Equipment	7,000	15,000
Other Income (Expenses)	12,879	(8,696)
Total Non-Operating Revenues (Expenses)	<u>159,402</u>	<u>108,419</u>
Net Income (Loss)	146,375	(15,119)
Net Assets - Beginning of Year	<u>13,514,618</u>	<u>13,529,737</u>
Net Assets - End of Year	<u>\$ 13,660,993</u>	<u>\$ 13,514,618</u>

*See accompanying notes to financial statements*

**SOUTH UTAH VALLEY SOLID WASTE DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	June 30, 2004	June 30, 2003
Cash Flows from Operating Activities:		
Cash Receipts from Customers	\$ 3,734,416	\$ 3,572,041
Cash Payments to Vendors	(1,425,043)	(1,120,358)
Cash Payments to Employees for Services and Benefits	(1,424,176)	(1,184,466)
Net Cash Provided (Used) by Operating Activities	<u>885,197</u>	<u>1,267,217</u>
Cash Flows from Non-Capital and Related Financing Activities:		
Other Income	<u>12,879</u>	<u>(8,696)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(3,090,277)	(761,140)
Proceeds from Sale of Capital Assets	<u>105,000</u>	<u>15,000</u>
Net Cash Provided (Used) by Capital and Related Financing Activities:	<u>(2,985,277)</u>	<u>(746,140)</u>
Cash Flows from Investing Activities:		
Interest Income	<u>139,523</u>	<u>102,115</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,947,678)	614,496
Cash and Cash Equivalents:		
Cash and Cash Equivalents - Beginning of Year	<u>7,409,821</u>	<u>6,795,325</u>
Cash and Cash Equivalents - End of Year	<u>\$ 5,462,143</u>	<u>\$ 7,409,821</u>
Cash and Cash Equivalents Recorded in Balance Sheet:		
Cash and Cash Equivalents - Unrestricted	\$ 2,897,607	\$ 4,906,847
Cash and Cash Equivalents - Restricted	<u>2,564,536</u>	<u>2,502,974</u>
Total Cash and Cash Equivalents	<u>\$ 5,462,143</u>	<u>\$ 7,409,821</u>

*See accompanying notes to financial statements*

**SOUTH UTAH VALLEY SOLID WASTE DISTRICT**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	June 30, 2005	June 30, 2004
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	<u>\$ (13,027)</u>	<u>\$ (123,538)</u>
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Depreciation	1,045,765	1,039,646
(Increase) Decrease in Accounts Receivable	(110,845)	(33,053)
(Increase) Decrease in Prepaid Lease	34,524	(64,151)
Increase (Decrease) in Accounts Payable	(107,644)	148,908
Increase (Decrease) in Accrued Liabilities	36,424	49,405
Increase (Decrease) in Closure and Postclosure Liability	-	250,000
Total Adjustments	<u>898,224</u>	<u>1,390,755</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 885,197</u></u>	<u><u>\$ 1,267,217</u></u>

*See accompanying notes to financial statements*

**SOUTH UTAH VALLEY SOLID WASTE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of South Utah Valley Solid Waste District (The District) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Formation of District - The South Utah Valley Solid Waste District was created May 11, 1989 for the purpose of building a landfill and transfer station and operating the same. The District's membership consists of six municipalities (the Members) that contributed cash and other assets to form the District. The following governmental entities are members of the District:

Town of Goshen  
Mapleton City Corporation  
Provo City Corporation  
Salem City Corporation  
Spanish Fork City Corporation  
Springville Municipal Corporation

Reporting Entity - South Utah Valley Solid Waste District is a governmental entity that operates as an enterprise fund type similar to a private business enterprise. The intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The reporting entity includes all funds and account types that are financially accountable to the District as defined in GASB Statement 14.

Basis of Accounting - These financial statements are prepared utilizing the accrual method of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Restricted Assets - The District has assets restricted for the closure and post-closure costs of the landfill. The policy of the District is to use unrestricted assets first and then restricted assets.

**SOUTH UTAH VALLEY SOLID WASTE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

**NOTE 1 - SUMMARY (Continued)**

Property and Equipment - All property and equipment are included in the financial statements and are stated at historical cost. Depreciation is provided using the straight-line method over the asset's respective estimated service life. The service lives by type of asset are as follows:

Buildings	25-40 years
Improvements other than buildings	10-40 years
Equipment and vehicles	4-10 years
Furniture and Fixtures	3-10 years

Leased property under capital leases is amortized over the expected useful life of the asset using the straight-line method and is included in depreciation and amortization expense.

Encumbrance Accounting - Encumbrances lapse at year end and are subject to reappropriation. Therefore the financial statements do not provide for encumbrances.

Use of Estimates - Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.

**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

The District maintains a cash and investment pool, which includes the cash account and State Treasurer's investment pool. As of June 30, 2005 the District had the following deposits and investments:

<u>Deposit and Investments</u>	<u>Balance</u>
Cash on hand	\$ 700
Cash on Deposit	513,435
State Treasurer's Investment Pool	4,947,094
	<u>\$5,461,229</u>

**A. Deposits**

Deposits - Custodial Credit Risk. Custodial risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District follows the requirements of the Utah Money Management Act in handling its depository and investing transactions. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. District funds are deposited in qualified depositories as defined by the Act. The District does not have a deposit policy for custodial credit risk. As of June 30, 2005, the District's custodial credit risk for deposits were as follows:

# SOUTH UTAH VALLEY SOLID WASTE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

### A. Deposits *(Continued)*

<u>Depository Account</u>	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2005</u>
Investment Sweep	Uninsured and Uncollateralized	\$ 413,435

### B. Investments

The District's investments are managed through participation in the State Public Treasurers' Investment Fund and through a trust arrangement with a local bank. As of June 30, 2005 the District had the following investments

<u>Investments</u>	<u>Investment Maturities (in Years)</u>			
	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Utah Public Treasurer's Investment Fund	<u>\$4,947,094</u>			

**Investments – Interest Rate Risk.** The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance with the Utah Money Management Act which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

**Investments – Credit Risk.** The District follows the requirements of the Utah Money Management Act in handling its Depository and investing transactions. The District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes The District to invest in the Utah Public Treasurers Investment Fund (PTIF), certificates of Deposits, U.S. Treasury obligations, U.S. District issues, restricted mutual funds, and obligations of governmental entities within the State of Utah. The District's investments are invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the investments. The degree of risk of the investments depends on the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The District has no investment policy that would further limit its investment choices.

**SOUTH UTAH VALLEY SOLID WASTE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

**NOTE 2 – (Continued)**

**Investments Custodial Credit Risk.** For an investment, this is the risk that, in the event of the failure if the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District's investment in the Utah State Treasurer's Investment Fund has no custodial credit risk.

**NOTE 3 - CHANGES IN CAPITAL ASSETS**

	June 30, 2004	Increase	Decrease	June 30, 2005
Capital Assets Not Being Depreciated:				
Land	\$ 1,680,250	-	-	\$ 1,680,250
Capital Assets Being Depreciated:				
Building and Structures	2,402,713	4,000		2,406,713
Improvements Other than Buildings	5,913,744	2,427,743		8,341,487
Equipment	4,957,439	656,605	105,000	5,509,044
Furniture and Fixtures	7,634	1,928		9,562
Total Capital Assets Being Depreciated	13,281,530	3,090,276	105,000	16,266,806
Less Accumulated Depreciation:				
Building and Structures	970,285	95,992		1,066,277
Improvements Other than Buildings	2,572,399	386,823		2,959,222
Equipment	2,662,031	560,557	7,000	3,215,588
Furniture and Fixtures	1,367	2,393		3,760
Total Accumulated Depreciation	6,206,082	1,045,765	7,000	7,244,847
Total Net Capital Assets Being Depreciated	7,075,448	2,044,511	98,000	9,021,959
Total Net Capital Assets	\$ 8,755,698	\$ 2,044,511	\$ 98,000	\$ 10,702,209

**SOUTH UTAH VALLEY SOLID WASTE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

**NOTE 4 - RETIREMENT PLANS**

**Plan Description.** The District contributes to the Local Government Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** In the Local Government Noncontributory Retirement System, the District is required to contribute 11.090% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District contributions to the Noncontributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$90,549, \$64,943, and \$48,313 and respectively. The contributions were equal to the required contributions for each year.

As part of the above retirement plan, the District provides a 401K plan. The Plan is administered by the Utah State Retirement Office. The District provides a matching provision in the plan to provide a dollar for dollar match of employee contributions up to 8.2% of covered and eligible salary. The District's contributions made for employees for the years ending June 30, 2005, 2004, and 2003 were \$50,563, \$39,646, and \$32,413 respectively. All contributions made by the District were equal to those required.

**NOTE 5 - ECONOMIC DEPENDENCY**

The District is economically dependent on the services it provides to Spanish Fork City, Town of Goshen, Mapleton City Corporation, Provo City Corporation, Salem City Corporation, and Springville Municipal Corporation. The majority of the District's sanitation service revenue comes from these governmental entities.



**SOUTH UTAH VALLEY SOLID WASTE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

**NOTE 6 - RELATED PARTY TRANSACTIONS**

The District was created for the purpose of building and operating a landfill and transfer station. The District's membership consists of six municipalities (the Members) that contributed cash or other assets to form the District. The members are also the major patrons of the District. The Members owed the District the following amounts:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Town of Goshen	4,911.30	\$ 3,303
Mapleton City	1,217.58	247
Provo City	60,681.25	60,867
Salem City	6,425.73	6,058
Spanish Fork City	22,277.43	28,551
Springville City	28,939.40	25,260
Total	<u>\$ 124,453</u>	<u>\$ 124,286</u>

The District's transfer station receives its utility services from Springville City (a Member). The District incurred expenses of \$61,151 and \$74,533 for June 30, 2005 and 2004, respectively, to Springville City for its utility services.

The following is a schedule of waste shown in tons hauled to the District from the areas within the member municipalities and Utah County for the years ending June 30, 2005 and 2004:

	<u>JUNE 30, 2005</u>		<u>JUNE 30, 2004</u>	
	<u>TOTALS</u>	<u>TOTALS</u>	<u>TOTALS</u>	<u>TOTALS</u>
Town of Goshen	\$ 2,766	1.85%	\$ 3,295	2.46%
Provo City	76,973	51.38%	69,224	51.69%
Springville City	30,902	20.63%	28,911	21.59%
Spanish Fork City	26,999	18.02%	23,725	17.71%
Mapleton City	4,973	3.32%	3,864	2.89%
Salem City	3,789	2.53%	3,041	2.27%
Utah County	3,399	2.27%	1,869	1.40%
Totals	<u>\$ 149,801</u>	<u>100.00%</u>	<u>\$ 133,929</u>	<u>100.00%</u>

\*In tons

**SOUTH UTAH VALLEY SOLID WASTE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

**NOTE 7 - OPERATING LEASES**

The District has an operating lease with the State of Utah - Division of State Lands, on real property used for a sanitary landfill. The term of the lease is for 51 years beginning January 1, 1984. The original annual lease payments were \$9,530. The State has since renegotiated the lease and the current annual lease payment is \$19,000. The lease payment is subject to review and adjustment by the State. The following is a schedule by year of future minimum lease payments required under the lease agreement as of June 30, 2005:

Fiscal Year Ending June 30,	
2006	\$19,000
2007	19,000
2008	19,000
2009	19,000
2010-2014	95,000
2015-2019	95,000
2020-2024	95,000
2025-2029	95,000
2030-2034	95,000
2035	9,500
Totals	<u>\$560,500</u>

**NOTE 8 - CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the District to place a final cover on its Bayview landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the District reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,691,748 reported as landfill closure and post-closure care liability at June 30, 2005, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of Cell 1 of the landfill. The District will recognize inflationary costs for the remaining life of the cell. These amounts are based on what it would cost to perform all closure and post-closure care in 2005. The District expects to close Cell 1 of the landfill March 1, 2008. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The District has restricted cash of \$2,564,536 for the purpose of closure and post-closure as stated above.

**SOUTH UTAH VALLEY SOLID WASTE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

**NOTE 9 - LONG-TERM DEBT**

Other than closure and post-closure care liabilities the District has long-term debt as follows:

	<u>2005</u>	<u>2004</u>
Compensated Absences	\$157,219	\$123,560

**NOTE 10 - LONG-TERM CONTRACTS**

The District has a five-year hauling contract with William B. Huff, Inc. for hauling waste from the transfer station to the landfill at a cost \$122.50 per load. At the end of the five-year term the District has a five-year renewal option.

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At year end there were no unpaid claims or judgments. The District purchases workers compensation insurance through the Workers Compensation Fund of Utah. The District has not incurred a claim in excess of its coverage for any of the past three fiscal years.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

The district has an outstanding commitment to purchase a landfill compactor for \$725,824. The compactor is currently being constructed.

**NOTE 13 - SUBSEQUENT EVENTS**

The Town of Woodland Hills is in negotiation with the District to become a member. The terms of the agreement have not been finalized.

## **SUPPLEMENTAL REPORTS**

**GILBERT & STEWART**  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, C.P.A.  
LYNN A. GILBERT, C.P.A.  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
South Utah Valley Solid Waste District  
Springville, UT 84663-0507

October 14, 2005

We have audited the financial statements of South Utah Valley Solid Waste District as of and for the year ended June 30, 2005, and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered South Utah Valley Solid Waste District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Utah Valley Solid Waste District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the board of directors, management, member cities and Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

  
GILBERT & STEWART  
Certified Public Accountants

**GILBERT & STEWART**  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

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**INDEPENDENT AUDITOR'S REPORT  
ON LEGAL COMPLIANCE WITH APPLICABLE  
UTAH STATE LAWS AND REGULATIONS**

Board of Directors  
South Utah Valley Solid Waste District  
Springville, Utah 84663-0507

October 14, 2005

We have audited the accompanying financial statements of the business-type activities of South Utah Valley Solid Waste for the years ended June 30, 2005 and June 30, 2004, and have issued our report thereon dated October 14, 2005. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal compliance Audit Guide:

Public Debt  
Cash Management  
Purchasing Requirements

Budgetary Compliance  
Special Districts  
Other General Issues

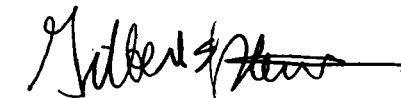
The District did not receive any major or nonmajor State grants during the year ended June 30, 2005.

The management of the South Utah Valley Solid Waste District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, South Utah Valley Solid Waste District complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2005 and 2004.



GILBERT & STEWART  
Certified Public Accountants

**SUPPLEMENTARY INFORMATION**

**SOUTH UTAH VALLEY SOLID WASTE DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN**  
**NET ASSETS - COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Budget	Actual	Variance Favorable (Infavorable)
Operating Revenues			
User Fees	\$ 3,432,000	\$ 3,615,622	\$ 183,622
Grinding Services	20,000	59,733	39,733
Compost and Dumping Revenues	300,000	99,276	(200,724)
Grit Screenings	2,000	7,297	5,297
Diversion Revenues	15,000	63,333	48,333
Total Operating Revenues	<u>3,769,000</u>	<u>3,845,261</u>	<u>76,261</u>
Operating Expenses			
Salaries & Benefits	1,467,909	1,464,729	3,180
Contractual Services	689,000	715,103	(26,103)
Material and Supplies	504,800	497,975	6,825
Closure and Postclosure	-	-	-
Depreciation and Amortization	838,410	1,045,765	(207,355)
Other	164,500	134,716	29,784
Total Operating Expenses	<u>3,664,619</u>	<u>3,858,288</u>	<u>(193,669)</u>
Operating Income (Loss)	<u>104,381</u>	<u>(13,027)</u>	<u>(117,408)</u>
Non-Operating Revenues (Expenses)			
Interest Income	75,000	139,523	64,523
Gain on Sale of Equipment	-	7,000	7,000
Other Income (Expenses)	10,000	12,879	2,879
Total Non-Operating Revenues (Expenses)	<u>85,000</u>	<u>159,402</u>	<u>74,402</u>
Net Income (Loss)	189,381	146,375	(43,006)
Net Assets - Beginning of Year	<u>13,514,618</u>	<u>13,514,618</u>	-
Net Assets - End of Year	<u>\$ 13,703,999</u>	<u>\$ 13,660,993</u>	<u>\$ (43,006)</u>
Capital Outlay Expenditures	<u>\$ 3,650,000</u>	<u>\$ 3,090,277</u>	<u>\$ 559,723</u>



**South Utah Valley Solid Waste District**

**Management Letter**

**GILBERT & STEWART**  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, C.P.A.  
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October 14, 2005

South Utah Valley Solid Waste District  
Springville, UT

We have audited the financial statements of South Utah Valley Solid Waste District for the year ended June 30, 2005 and have issued our report thereon dated October 14, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 9, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of South Utah Valley Solid Waste District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of South Utah Valley Solid Waste District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by South Utah Valley Solid Waste District are described in Note 1 to the financial statements. No new accounting policies or procedures were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of useful lives of depreciable assets, and the applicable depreciation amounts are based on estimated usefulness of the assets in question and the related wear and tear on those assets. We evaluated the key factors and assumptions used to develop these amounts in determining that they were reasonable in relation to the financial statements taken as a whole.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the District, either individually or in the aggregate, indicate matters that could have a significant effect on the District's financial reporting process. We did propose and make certain reclassifying, and closing entries to properly reflect required recognition of revenues, expenses, and financial position in accordance with U.S. generally accepted accounting principles.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Other Matters for Consideration

1. During our testing of fixed assets we noted that there was no formal capitalization policy in place. We recommend that a capitalization policy be established to determine when to capitalize expenditures, so that they can be properly recorded on the financial statements. We recommend the policy be set at a minimum of \$5,000.
2. We recommend that a physical inventory of fixed assets be performed so that the depreciation schedule includes all fixed assets being depreciated and that any fixed assets that no longer exist be removed.

This information is intended solely for the use of the Board of Directors and management of South Utah Valley Solid Waste District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Gilbert & Stewart", written over a horizontal line.

GILBERT & STEWART

*Certified Public Accountants*